

Annual Financial Statements

for

Endumeni Municipality

for the year ended 30 June:

2016

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

Contact Information:

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Endumeni Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

General information

Members of the Council

Cllr TM Mahaye
Cllr TB Mkhize
Cllr SB Mdluli
Cllr AM Raubenheimer
Cllr E Adam
Cllr Ms WN Mbatha
Cllr JA Mfeka
Cllr DP Ncala
Cllr SR Mbatha
Cllr LP Mbhele
Cllr TI Makaba
Cllr SW Dhlamini

Mayor - Exco member
Deputy Mayor - Exco member
Speaker
Member of the Executive Committee
Member
Member
Member
Member
Member
Member
Member
Member

Acting Municipal Manager

Mr MZ Silinga

Chief Financial Officer

Ms CB Mkhize

Grading of Local Authority

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Auditors

Auditor-General

Bankers

FNB Bank

Endumeni Municipality
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General information (continued)

Registered Office:	Endumeni Municipality
Physical address:	64 Victoria Street Civic Centre Dundee 3000
Postal address:	Private Bag X2024 Dundee 3000
Telephone number:	0342122121
Fax number:	0342123856
E-mail address:	pamm@endumeni.gov.za

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Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on **pages 5 to 57**, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. The municipality however faces challenges of debtor non-payment and the high rate of electricity losses due to theft.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Acting Municipal Manager: Mr M.Z Silinga

31 August 2016

Endumeni Municipality
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Endumeni Municipality
Statement of Financial Position
as at 30 June 2016

	Note	2016	2015
		R	R
ASSETS			
Current assets		90 016 893	79 366 431
Inventories	2	3 507 394	3 389 268
Bank balances and cash	3	1 303 476	1 001 083
Current portion of non-current receivables	4	5 785	56 353
Trade and other receivables from exchange transactions	5	4 940 546	5 184 134
Trade and other receivables from non-exchange transactions	6	13 218 355	12 826 887
Current investments	7	67 041 335	56 901 507
Other current financial assets	8	-	7 200
Non-current assets		293 945 526	263 367 288
Non-current receivables	4	-	378 097
Property, plant and equipment	9	269 836 049	241 893 076
Intangible assets	10	31 477	32 081
Investment property	11	24 078 000	21 064 034
Total assets		383 962 419	342 733 719
LIABILITIES			
Current liabilities		51 419 257	48 328 992
Trade and other payables from exchange transactions	12	22 501 024	23 362 862
Consumer deposits	13	4 186 021	3 940 537
VAT payable	14	2 040 003	2 150 551
Current provisions	15	2 476 056	2 177 000
Current portion of unspent conditional grants and receipts	16	17 655 065	14 408 061
Current portion of long-term borrowings	17	2 561 088	2 289 981
Non-current liabilities		65 721 011	59 090 723
Non-current borrowings	17	2 758 878	5 103 654
Non-current provisions	15	11 970 943	9 941 069
Defined benefit plan obligations	45	50 991 190	44 046 000
NET ASSETS		266 822 151	235 314 005
Housing Development Fund	18	4 336 637	4 208 332
Other Reserves	19	854 804	901 309
Accumulated surplus / (deficit)		261 630 710	230 204 364
Total net assets		266 822 151	235 314 005

Endumeni Municipality
Statement of Financial Performance
for the year ending 30 June 2016

	Note	2016	2015
		R	R
REVENUE			
Revenue from exchange transactions		131 973 277	121 503 976
Service charges	21	120 530 864	111 367 549
Rental of facilities and equipment	22	1 578 749	1 479 354
Interest earned - external investments	23	3 984 499	2 267 557
Interest earned - outstanding receivables	24	2 505	3 886
Licences and permits		4 284 502	4 315 244
Other income from exchange transactions	26	1 592 158	2 070 387
Revenue from non-exchange transactions		150 198 447	125 819 697
Property rates	20	57 681 385	50 290 453
Property rates - penalties and collection charges		6 418 838	6 400 507
Fines		2 753 701	3 713 330
Government grants and subsidies	25	83 344 522	65 415 407
Total revenue		282 171 724	247 323 673
EXPENSES			
Employee related costs	27	79 692 570	67 184 774
Remuneration of councillors	28	3 559 888	3 259 426
Adjustment to bad debts provision		9 521 015	3 745 085
Adjustment to landfill site provision		1 972 671	(3 680 786)
Collection costs		3 834 245	3 443 692
Depreciation	29	8 222 020	7 691 647
Amortisation		11 525	14 202
Repairs and maintenance		9 161 898	8 125 875
Finance costs	30	790 392	1 028 259
Bulk purchases	31	75 592 334	70 634 217
Contracted services	32	4 899 285	4 333 158
General expenses	33	47 368 287	37 381 556
Retirement and long services benefits	45	9 387 495	(760 255)
Total expenses		254 013 627	202 400 849
Gain / (loss) on sale of assets	34	452 973	(1 233 061)
(Impairment loss) / Reversal of impairment loss	35	(120 473)	(959 081)
Gain / (loss) on fair value adjustment	36	3 013 966	112 694
Inventories: (Impairment loss)/ Reversal of impairment loss	35	(78 218)	(59 629)
Surplus / (deficit) for the period		31 426 345	42 783 746

Endumeni Municipality
Statement of Changes in Net Assets
as at 30 June 2016

	Housing Development Fund	Insurance Reserve	Accumulated Surplus/(Deficit)	Total: Net Assets
	R	R	R	R
Opening balance as previously reported 2014	4 065 051	1 656 260	187 420 619	193 141 930
Surplus for the year			42 783 745	42 783 745
Transactions for the year	143 281	(754 951)		-611 670
Effect of rounding in the financial statements			(1)	-1
Restated Balance as at 30 June 2015	4 208 332	901 309	230 204 364	235 314 005
<i>Other items</i>				-
Surplus / (deficit) for the period			31 426 345	31 426 345
Transactions for the year	128 305	(46 505)		81 800
Effect of rounding in the financial statements			1	1
Balance at 30 June 2016	4 336 637	854 804	261 630 710	266 822 151

Endumeni Municipality
Cash Flow Statements
as at 30 June 2016

	Note	2016	2015
		R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		272 102 324	247 339 257
Sales of goods and services		185 510 798	171 683 832
Grants		86 591 526	75 655 425
Payments		227 356 084	199 368 617
Employee costs		67 087 356	65 282 112
Suppliers		160 268 729	134 086 504
Cash generated from operations	37	44 746 239	47 970 640
Interest received		3 987 004	2 271 443.27
Interest paid		(626 546)	(1 028 259)
Net cash flows from operating activities		48 106 697	49 213 824
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(36 537 913)	(28 120 402)
Proceeds from sale of fixed assets		891 036	-
Purchase of intangibles		(10 921)	-
Decrease/(Increase) in Loans and receivables		(14 645)	24 415
Net cash flows from investing activities		(35 672 444)	(28 095 986)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(2 237 515)	(1 962 658)
Decrease/(Increase) in Consumer deposits		245 484	315 944
Net cash flows from financing activities		(1 992 031)	(1 646 713)
Net increase / (decrease) in cash and cash equivalents		10 442 222	19 471 125
Net cash and cash equivalents at beginning of period		57 902 590	38 431 465
Net cash and cash equivalents at end of period	38	68 344 812	57 902 590

Endumeni Municipality
Statement of Comparison of Budget and Actual Information
as at 30 June 2016

	2 016										2 015			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Financial Performance														
Property rates	57 814 454	10 465 000	68 279 454		68 279 454	64 100 223		-4 179 231	94	111				56 690 960
Service charges	126 427 441	4 710 988	131 138 429		131 138 429	120 530 864		-10 607 565	92	95				111 367 549
Investment revenue	1 950 000	1 100 000	3 050 000		3 050 000	3 984 499		934 499	131	204				2 267 557
Transfers recognised - operational	48 403 999	-	48 403 999		48 403 999	59 466 206		11 062 207	123	123				51 032 407
Other own revenue	15 728 515	-5 319 637	10 408 878		10 408 878	13 678 554		3 269 676	131	87				11 694 894
Total Revenue (excluding capital transfers and contributions)	250 324 409	10 956 351	261 280 760		261 280 760	261 760 346		479 586	100	105				233 053 367
Employee costs	94 988 112	-1 708 081	93 280 031	278 006	93 558 038	79 692 570	-13 865 467	-13 865 467	85	84	-	-	-	67 184 774
Remuneration of councillors	3 594 885	-	3 594 885	-	3 594 885	3 559 888	-34 997	-34 997	99	99	-	-	-	3 259 426
Debt impairment	8 707 026	-1 500 000	7 207 026	-	7 207 026	9 521 015	2 313 989	2 313 989	132	109	-	-	-	3 745 085
Depreciation & asset impairment	10 664 195	-891 264	9 772 931		9 772 931	8 354 018	-1 418 913	-1 418 913	85	78	-	-	-	8 664 931
Finance charges	790 394	-	790 394	-	790 394	790 392	-2	-2	100	100	-	-	-	1 028 259
Materials and bulk purchases	85 698 653	97 944	85 796 597	65 520	85 862 117	76 157 166	-9 704 951	-9 704 951	89	89	-	-	-	71 081 497
Transfers and grants	3 963 650	-	3 963 650	-	3 963 650	3 398 314	-565 336	-565 336	86	86	-	-	-	1 709 751
Other expenditure	49 804 250	5 344 205	55 148 455	-354 433	54 794 022	72 738 955	17 944 933	17 944 933	133	146	-	-	-	47 978 898
Total Expenditure	258 211 165	1 342 804	259 553 969	-10 906	259 543 063	254 212 317	-5 330 745	-5 330 745	98	98	-	-	-	204 652 621
Surplus/(Deficit)	-7 886 756	9 613 547	1 726 791		1 737 697	7 548 029		5 810 332	434	-96				28 400 746
Transfers recognised - capital	34 841 000	-	37 841 000		37 841 000	23 878 316		-13 962 684	63	69				14 383 000
Contributions recognised - capital & contributed assets			-		-									
Surplus/(Deficit) after capital transfers & contributions	26 954 244	9 613 547	39 567 791		39 578 697	31 426 345		-8 152 353	79	117				42 783 746
Share of surplus/ (deficit) of associate			-		-									
Surplus/(Deficit) for the year	26 954 244	9 613 547	39 567 791		39 578 697	31 426 345		-8 152 353	79	117				42 783 746
Capital expenditure & funds sources														
Capital expenditure	45 843 900	2 926 040	48 769 940		48 769 940	36 723 528				80				28 870 496
Transfers recognised - capital	34 841 000	3 000 000	37 841 000		37 841 000	23 878 316		-13 962 684	63	69				14 383 000
Public contributions & donations	-	-	-		-	-		-	-	-				-
Borrowing	-	-	-		-	-		-	-	-				-
Internally generated funds	11 002 900	-73 961	10 928 940		10 928 940	12 845 212		1 916 272	118	117				14 487 496
Total sources of capital funds	45 843 900	2 926 040	48 769 940		48 769 940	36 723 528		-12 046 412	75	80				28 870 496
Cash flows														
Net cash from (used) operating	48 489 960	14 880 569	63 370 529		63 370 529	48 106 697		-15 263 832	76	99				49 213 824
Net cash from (used) investing	-38 718 750	-10 036 190	-48 754 940		-48 754 940	-35 672 444		13 082 496	73	92				-28 095 986
Net cash from (used) financing	-863 020	-1 000 000	-1 863 020		-1 863 020	-1 992 031		-129 011	107	231				-1 646 713
Cash/cash equivalents at the year end	38 534 714	3 844 379	42 379 093		42 379 093	68 344 812		25 965 719	161	177				57 902 590

Endumeni Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
as at 30 June 2016

1 ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. The municipality however faces challenges of debtor non-payment for municipal services and a high rate of electricity losses due to theft. This may have future implications on the operations of the municipality

COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided to these financial statements and forms part of the annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 32 - Service Concession Arrangements: Grantor

GRAP 108 - Statutory Receivables

IGRAP 17 - Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

GRAP 18 - Segment Reporting

GRAP 20 - Related Party Disclosures

Management have considered all of the above-mentioned GRAP standards approved or issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

1.2 PROPERTY, PLANT AND EQUIPMENT

INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

INITIAL MEASUREMENT

Items of property, plant and equipment are initially measured at cost at the acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

SUBSEQUENT EXPENDITURE

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

DEPRECIATION

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciable amount is determined after taking into account an assets' residual value, where applicable. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	3 - 100 years	Machinery and equipment	3 - 20 years
Electricity	3 - 80 years	Furniture and Equipment	3 - 50 years
Water	5 - 100 years	Motor Vehicles	4 - 20 years
Sewerage	10 - 60 years	Buildings	5 - 30 years
Other	10 - 30 years		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.3 HERITAGE ASSETS

INITIAL RECOGNITION

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset shall be recognised as an asset if, and only if:

(a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and

(b) the cost or fair value of the asset can be measured reliably.

INITIAL MEASUREMENT

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

SUBSEQUENT MEASUREMENT

Heritage assets are not depreciated based on their nature however the municipality assesses at each reporting date whether there is a need for impairment.

The class of heritage assets are carried at its cost less any accumulated impairment losses.

DERECOGNITION

The carrying amount of a heritage asset is derecognised:

(a) on disposal, or

(b) when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.4 INTANGIBLE ASSETS

INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
 - it is technically feasible to complete the intangible asset;
 - the municipality has the resources to complete the project; and
 - it is probable that the municipality will receive future economic benefits or service potential;
- the municipality has the ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

SUBSEQUENT MEASUREMENT

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

AMORTISATION

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	2 - 5 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

IMPAIRMENT

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.5 INVESTMENT PROPERTY

INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

SUBSEQUENT MEASUREMENT

Investment property is subsequently measured at fair value model. The fair value of investment property is based on the valuation roll values of the local municipality in whose jurisdiction the investment property is situated. Fair value is adjusted when a new valuation roll is implemented by the local municipality for property tax purposes. A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

DERECOGNITION

Investment property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property.

All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

1.6 INVENTORIES

INITIAL RECOGNITION AND MEASUREMENT

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of determining cost is the weighted-average method.

DERECOGNITION

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.7 FINANCIAL INSTRUMENTS

INITIAL RECOGNITION

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

INITIAL MEASUREMENT

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

INVESTMENTS AT AMORTISED COSTS

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

INVESTMENT AT FAIR VALUE

Investments, which represent investments in residual interest for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

INVESTMENT AT COST

Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

TRADE PAYABLES AND BORROWINGS

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

IMPAIRMENT OF FINANCIAL ASSETS

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

IMPAIRMENT FOR FINANCIAL ASSETS HELD AT AMORTISED COST

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

IMPAIRMENT OF FINANCIAL ASSETS HELD AT COST

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

DERECOGNITION

A financial asset is derecognised only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;

- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset;
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

1.71 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.72 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.73 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.74 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

1.75 BUDGET INFORMATION

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

1.76 LEASES

MUNICIPALITY AS LESSEE

RECOGNITION

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

MEASUREMENT

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

DERECOGNITION

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

MUNICIPALITY AS LESSOR

RECOGNITION

For those leases that meet the definition of a finance lease, where the entity is the lessor, the entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the entity recognises a finance lease receivable. Finance lease income is allocated to between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

MEASUREMENT

Finance lease receivables are recognised at an amount equal to the entity's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

DERECOGNITION

Finance lease receivables are derecognised when the entity's right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

1.77 REVENUE

REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

RECOGNITION

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

MEASUREMENT

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Service charges relating to electricity are based on consumption by consumers as is recorded on each consumer's meter. Meters are read each month and revenue is recognised in the period that invoices are raised. Provisional estimates of consumption are made in periods when meter readings have not been able to be made. The revenue from provisional estimates of consumption is recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised in the period in which cash is received.

Service charges relating to refuse removal are raised and recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

Revenue from the sale of consumables and sundry items is recognised when the risk is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

EXPENDITURE FROM EXCHANGE

Expenditure arising from exchange-transactions is similar to the policy for exchange revenue.

REVENUE FROM NON-EXCHANGE TRANSACTIONS

RECOGNITION

Revenue from non-exchange transaction arises when the entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

MEASUREMENT

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

Revenue from assessment rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Revenue from spot fines and summons are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Donations are recognised when cash is received or when property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

EXPENDITURE RELATING TO NON-EXCHANGE TRANSACTIONS

Expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

1.78 HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms on the Housing Act (Act 107 of 1997)

Sections 15 (5) and 16 of the Housing Act, which came into effect on 1 April 1998, required the Entity to maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund and is fully cash-backed.

In terms of section 14(4)(d)(ii)(aa), read with inter alia section 16(2), the Housing Act required that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, to be paid into a separate operating account, and be utilised by the Entity for housing development in accordance with the National Housing Policy.

1.79 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.8 RETIREMENT BENEFITS

SHORT TERM EMPLOYEE BENEFITS

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

1.81 POST-EMPLOYMENT BENEFITS

The Municipality operates various pension schemes. These schemes are funded through trustee administered funds. The Municipality has both defined benefit and defined contribution plans.

DEFINED CONTRIBUTION PLANS

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

DEFINED BENEFIT PLANS

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds are defined benefit funds. The Natal Joint Provident Fund is a defined contribution funds

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

POST RE-TIREMENT HEALTH CARE BENEFITS

The liability recognised in the Statement of Financial Position is in respect of defined benefit plan for post employment health care benefits. The fund is actuarially valued each year using the discounted cash flow method. Any deficits identified by the actuary are recovered from the municipality in the form of surcharges added to the contributions which are recognised as an expense in the Statement of Financial Performance in the year that they become payable. Valuations of these obligations are carried out every year by independent qualified actuaries.

1.82 IMPAIRMENT OF NON-FINANCIAL ASSETS

RECOGNITION

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount).

MEASUREMENT

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets the value in use is determined as a function of the discounted future cash flows from the asset. In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Where the asset is a non-cash generating asset the value in use is determined through depreciated replacement cost, restoration cost approach or service units approach. The decision to the approach to use is dependent on the nature of the identified impairment.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

REVERSAL OF IMPAIRMENT

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

IMPAIRMENT OF SPECIFIC NON-FINANCIAL ASSETS

PROPERTY, PLANT AND EQUIPMENT

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

INTANGIBLE ASSETS

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Irrespective of whether there is any indication of impairment, the municipality also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

INVESTMENT PROPERTY HELD AT COST

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

HERITAGE ASSETS

Where the carrying amount of an item of heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of heritage asset have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

BIOLOGICAL ASSETS HELD AT COST

Where the carrying amount of an item of biological assets held at cost is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of biological assets held at cost have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

RELATED PARTIES

Parties are considered to be related if one party directly or indirectly has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of the municipality. Refer to Note 47 - Related Parties

CAPITAL COMMITMENTS

A capital commitment is a binding agreement to undertake capital expenditure at some time in the future which has not yet become an actual liability

Endumeni Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2016

	Note	2016	2015
		R	R
2 INVENTORIES			
Electricity		2 528 519	2 474 616
Consumable stores		766 381	677 223
Mechanical spares		30 686	36 226
Fuel and oils		181 808	201 203
Closing balance of inventories		3 507 394	3 389 268
Write down of inventory		28 648	113 029

Inventory has been impaired for redundant and obsolete items

Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority. The stock write down for the current year is still subject to council approval

3 BANK BALANCES AND CASH

Cash and cash equivalents consist of the following:

Cash on hand	14 850	18 060
Cash at bank	1 288 626	983 023
	1 303 476	1 001 083

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

First National Bank Account - Dundee Branch
Account Number 62025460651: Cheque Account

Cash book balance at beginning of year	983 023	2 603 809
Cash book balance at end of year	1 288 626	983 023
Bank statement balance at beginning of year	983 023	2 603 809
Bank statement balance at end of year	1 288 626	983 023

4 NON-CURRENT RECEIVABLES

Housing - Selling scheme loans	578 548	1 156 763
Housing - Sibongile	1 177 044	579 548
Housing - Individual selling scheme loans	140 507	145 143
	1 896 099	1 881 454
Less : Provision for housing receivables	(1 890 314)	(1 447 004)
	5 785	434 450
Less : Current portion transferred to current receivables	(5 785)	(56 353)
Total Non Current Receivables	-	378 097

HOUSING SELLING SCHEME LOANS

Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Human Settlements programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%. Title to many of these properties have been handed over to the beneficiaries in the 2015/16 financial year.

5 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

<u>Trade and Other Receivables from Exchange</u>	R	R
Electricity	4 138 782	4 357 386
Refuse	13 497 373	13 966 609
Debtors for Value Added Taxation	2 555 588	2 661 648
Estate	59 771	75 288
Interest	7 804 829	7 859 085
Refund	131 647	75 609

Endumeni Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2016

	Note	2016	2015
		R	R
Deposit Housing		4 058	6 895
Deposit Electricity		28 370	16 963
Receipt		(645 575)	(547 462)
Housing Levy		378 275	369 797
Legal Fees		107 779	90 265
Sundry Adjustments		256 983	395 215
Reassessment of prior year service debtors			
Total Service Debtors		28 317 881	29 327 298
Provision for Doubtful Debts		(23 377 335)	(24 143 164)
Total		4 940 546	5 184 134
<u>Electricity: Ageing</u>			
Current (0 – 30 days)		3 765 550	3 648 853
31 - 60 Days		8 782	193 890
61 - 90 Days		6 507	19 840
91 - 120 Days		9 648	17 127
Greater than 120 days		348 296	477 676
Total		4 138 782	4 357 386
<u>Refuse: Ageing</u>			
Current (0 – 30 days)		1 454 801	1 038 904
31 - 60 Days		265 638	411 344
61 - 90 Days		245 960	302 590
91 - 120 Days		238 647	278 621
Greater than 120 days		11 292 327	11 935 150
Total		13 497 373	13 966 609
<u>Debtors for Value Added Taxation: Ageing</u>			
Current (0 – 30 days)		736 043	656 911
31 - 60 Days		38 989	88 137
61 - 90 Days		35 826	45 589
91 - 120 Days		36 005	41 963
Greater than 120 days		1 708 725	1 829 047
Total		2 555 588	2 661 648
<u>Estate: Ageing</u>			
Current (0 – 30 days)		1 945	1 375
31 - 60 Days		607	617
61 - 90 Days		567	617
91 - 120 Days		562	617
Greater than 120 days		56 090	72 062
Total		59 771	75 288
<u>Interest: Ageing</u>			
Current (0 – 30 days)		251 584	139 071
31 - 60 Days		122 537	134 701
61 - 90 Days		121 044	132 605
91 - 120 Days		125 412	130 877
Greater than 120 days		7 184 253	7 321 830
Total		7 804 829	7 859 085
<u>Refund: Ageing</u>			
Current (0 – 30 days)		25 221	34 830
31 - 60 Days		268	947
61 - 90 Days		8 312	237

Endumeni Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2016

	Note	2016	2015
		R	R
91 - 120 Days		23 905	237
Greater than 120 days		73 940	39 359
Total		131 647	75 609
<u>Deposit Housing: Ageing</u>			
Current (0 – 30 days)		804	745
31 - 60 Days		250	350
61 - 90 Days		155	250
91 - 120 Days		150	250
Greater than 120 days		2 700	5 300
Total		4 058	6 895
<u>Deposit Electricity: Ageing</u>			
Current (0 – 30 days)		20 066	4 081
31 - 60 Days		285	1 110
61 - 90 Days		6	(731)
91 - 120 Days		900	1 158
Greater than 120 days		7 113	11 345
Total		28 370	16 963
<u>Add back credits included above: Ageing</u>			
Current (0 – 30 days)		(403 318)	(213 949)
31 - 60 Days		(45 291)	(77 181)
61 - 90 Days		(28 091)	(38 109)
91 - 120 Days		(32 927)	(25 937)
Greater than 120 days		(135 947)	(192 286)
Total		(645 575)	(547 462)
<u>Housing Levy: Ageing</u>			
Current (0 – 30 days)		50 433	41 086
31 - 60 Days		15 279	18 308
61 - 90 Days		10 425	14 138
91 - 120 Days		10 373	13 975
Greater than 120 days		291 765	282 289
Total		378 275	369 797
<u>Legal Fees: Ageing</u>			
Current (0 – 30 days)		22 796	655
31 - 60 Days		6 017	1 177
61 - 90 Days		5 102	-
91 - 120 Days		182	-
Greater than 120 days		73 682	88 433
Total		107 779	90 265
<u>Sundry Adjustments: Ageing</u>			
Current (0 – 30 days)		11 901	7 712
31 - 60 Days		1 592	2 281
61 - 90 Days		772	2 280
91 - 120 Days		1 592	2 879
Greater than 120 days		241 126	380 062
Total		256 983	395 215

Included in the trade and Other Receivables from exchange balances are the amounts owed by other spheres of Government:

Other spheres of Government: Ageing

Endumeni Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2016

	Note	2016	2015
		R	R
Current (0 – 30 days)		673 363	742 638
31 - 60 Days		10 598	176 667
61 - 90 Days		17 948	48 183
91 - 120 Days		17 481	28 541
Greater than 120 days		2 414 905	1 986 068
Total		3 134 295	2 982 096

Summary of Debtors by Customer Classification

	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2016			
Current (0 – 30 days)	4 862 193	4 212 863	673 363
31 - 60 Days	1 028 278	126 833	10 598
61 - 90 Days	1 005 366	97 140	17 948
91 - 120 Days	973 789	96 845	17 481
121+ Days	51 424 219	3 611 385	2 414 905
Sub-total	59 293 845	8 145 066	3 134 295
Total debtors			70 573 206
Add back consumers with credit balances			762 917
Total debtors by customer classification			71 336 123

as at 30 June 2015

Current (0 – 30 days)	3 325 426	3 983 294	780 115
31 - 60 Days	1 332 404	144 263	298 964
61 - 90 Days	1 206 488	81 146	229 254
91 - 120 Days	1 160 682	77 795	118 554
121 - 365 Days	1 137 530	69 694	98 644
+ 365 Days	71 947 464	3 569 082	2 382 864
Sub-total	80 109 994	7 925 274	3 908 395
Total debtors			91 943 663
Add back consumers with credit balances			886 153
Total debtors by customer classification			92 829 816

5 Reconciliation of the doubtful debt provision

Reconciliation of the Bad Debt Provision

Balance at beginning of the year	69 278 641	98 394 715
Revenue from exchange	24 143 164	31 425 509
Non-current receivables	1 447 004	1 380 979
Revenue from non-exchange	43 688 473	65 588 228
Contribution to provision	2 699 868	(29 116 074)
Revenue from exchange	(765 830)	(7 282 344)
Non-current receivables	443 310	66 025
Revenue from non-exchange	3 022 387	(21 899 754)
Revenue from exchange	23 377 335	24 143 164
Non-current receivables	1 890 314	1 447 004
Revenue from non-exchange	46 710 860	43 688 473
Balance at end of year	71 978 509	69 278 641
Bad debts written off against the provision	6 821 147	32 861 158

**TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE
6 TRANSACTIONS**

Trade Receivables - Property Rates	25 741 528	25 459 815
Penalties	15 525 289	15 469 669
Collection Fees	1 751 425	1 712 482
Other Debtors	16 910 973	13 873 394
	59 929 216	56 515 361
Less provision for bad debts	(46 710 860)	(43 688 473)

Endumeni Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2016

	Note	2016	2015
		R	R
Total		13 218 355	12 826 887

Rates: Ageing

Current (0 – 30 days)	3 804 750	4 236 413
31 - 60 Days	590 179	607 147
61 - 90 Days	502 538	452 472
91 - 120 Days	475 270	446 412
Greater than 120 days	20 368 791	19 717 372

Total	25 741 528	25 459 815
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Penalties: Ageing

Current (0 – 30 days)	390 032	203 645
31 - 60 Days	190 356	196 907
61 - 90 Days	187 708	190 872
91 - 120 Days	201 540	188 832
Greater than 120 days	14 555 652	14 689 414

Total	15 525 289	15 469 669
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Collection Fees: Ageing

Current (0 – 30 days)	79 795	31 800
31 - 60 Days	34 360	31 821
61 - 90 Days	58 751	47 244
91 - 120 Days	29 789	29 042
Greater than 120 days	1 548 729	1 572 575

Total	1 751 425	1 712 482
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Property rates past due but not impaired

Property rates which are less than 3 months past due are not considered to be impaired. At 30 June 2016 R 702 174 (2015 R 588 856) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	397 095	308 587
2 months past due	179 628	143 898
3 months past due	125 450	136 371

Property rates impaired

As of 30 June 2016, property rates of R 21 462 492 (2015 R 27 994 621) were impaired and provided for.

The ageing of these receivables is as follows:

3 to 4 months	696 125	1 070 770
Over 4 months	19 719 770	35 691 905

The fair value of property rates approximates their carrying amounts.

7 INVESTMENTS

7 CURRENT

Investments - Current Account	55 671 383	46 905 180
Investments - Museum Trust Fund	10 104	10 097
Investments - Government Grants and Subsidies	11 359 849	9 986 230

ACCOUNT DESCRIPTION - Investments (MFMA requirement)

Investment Current Account

Absa Bank Account - Dundee Branch

Account Number 9072089566 : Call Account

Bank statement balance at the beginning of the year	5 999 680	6 000 000
Bank statement balance at the end of the year	5 999 360	5 999 680

Endumeni Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2016

Note	2016	2015
	R	R
Investment Interest Earned		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62509652419 : Call Account</i>		
Bank statement balance at the beginning of the year	2 137 075	
Bank statement balance at the end of the year	6 073 503	2 137 075
Investment VAT		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62509650851 : Call Account</i>		
Bank statement balance at the beginning of the year	3 358 425	
Bank statement balance at the end of the year	4 188 520	3 358 425
Investment Current Account		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62113431390 : Money Market Account</i>		
Bank statement balance at the beginning of the year	35 410 000	25 110 000
Bank statement balance at the end of the year	39 410 000	35 410 000
TOTAL INVESTMENTS (CURRENT ACCOUNT) :	55 671 383	46 905 180
Investment Museum Trust Fund		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62127781236 : Money Market Account</i>		
Bank statement balance at the beginning of the year	10 097	10 045
Bank statement balance at the end of the year	10 104	10 097
TOTAL INVESTMENT (MUSEUM TRUST FUND) :	10 104	10 097
Investment Projects		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62047254941 : Call Account</i>		
Bank statement balance at the beginning of the year	3 397 412	2 993 230
Bank statement balance at the end of the year	3 652 400	3 397 412
Investment Sibongile Hostel		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62045928069 : Call Account</i>		
Bank statement balance at the beginning of the year	480 838	464 688
Bank statement balance at the end of the year	506 673	480 838
Investment Sithembile Hostel		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62063967718 : Call Account</i>		
Bank statement balance at the beginning of the year	331 198	316 256
Bank statement balance at the end of the year	349 076	331 198
Investment Training of Councillors		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62310958098 : Call Account</i>		
Bank statement balance at the beginning of the year	27 602	27 602
Bank statement balance at the end of the year	27 602	27 602
Investment Development Info System Grant		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62126662627 : Call Account</i>		
Bank statement balance at the beginning of the year	-	14 074
Bank statement balance at the end of the year	-	-

Endumeni Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2016

Note	2016	2015
	R	R
Investment Transfer / Buyback Centre		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62130398903 : Call Account</i>		
Bank statement balance at the beginning of the year	6 912	6 600
Bank statement balance at the end of the year	<u>7 288</u>	<u>6 912</u>
Investment DBSA IT Grant		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62173639926 : Call Account</i>		
Bank statement balance at the beginning of the year	-	323 633
Bank statement balance at the end of the year	<u>-</u>	<u>-</u>
Investment Sibongile Library Internet		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62173631948 : Call Account</i>		
Bank statement balance at the beginning of the year	251 756	157 503
Bank statement balance at the end of the year	<u>381 822</u>	<u>251 756</u>
Investment Housing Operating Account		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62412969084 : Call Account</i>		
Bank statement balance at the beginning of the year	405 229	386 915
Bank statement balance at the end of the year	<u>427 278</u>	<u>405 229</u>
Investment Rural Horse Riding		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62599265876 : Money Market Account</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>3 217 355</u>	<u>-</u>
Investment Small Town Rehabilitation		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62521487894 : Money Market Account</i>		
Bank statement balance at the beginning of the year	5 085 283	-
Bank statement balance at the end of the year	<u>2 790 355</u>	<u>5 085 283</u>
TOTAL INVESTMENTS (GOVERNMENT GRANTS AND SUBSIDIES) :	<u>11 359 849</u>	<u>9 986 230</u>
TOTAL CURRENT INVESTMENTS	<u>67 041 335</u>	<u>56 901 507</u>
8 OTHER FINANCIAL ASSETS		
8 OTHER CURRENT FINANCIAL ASSETS		
Local registered stock - Estcourt Municipality	-	7 200
Total Receivables	<u>-</u>	<u>7 200</u>

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2016

9 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	Land	Buildings	Infrastructure Electricity	Infrastructure Roads	Assets under construction	Infrastructure Other	Machinery & Equipment	Furniture & Equipment	Motor Vehicles	Leased Assets	Housing Letting schemes	Total
as at 1 July 2015	61 044 317	13 495 979	20 113 534	86 674 124	46 699 731	4 214 253	3 224 654	1 534 809	3 867 760	2 230	1 021 684	241 893 077
Cost/Revaluation	61 044 317	28 164 942	36 656 687	126 951 346	46 699 731	7 373 790	9 919 153	7 925 527	9 645 451	10 488	1 247 483	335 638 915
Accumulated depreciation	-	(13 678 758)	(16 367 913)	(36 976 637)	-	(3 008 009)	(6 219 124)	(6 328 359)	(5 599 359)	(8 257)	-	(88 186 415)
Accumulated impairment	-	(990 205)	(175 239)	(3 300 586)	-	(151 528)	(475 375)	(62 359)	(178 332)	-	(225 799)	(5 559 423)
Acquisitions		80 217	256 770		31 804 528	8 900	2 189 886	1 065 826	1 317 401			36 723 528
Assets under construction brought into use			1 180 713	18 620 775	(19 801 487)							0
Depreciation		(834 891)	(928 515)	(4 466 504)		(457 121)	(539 084)	(446 587)	(548 770)	(548)		(8 222 020)
Impairment		(5 603)	(23 163)	(45 497)		(14 478)	(1 799)	(4 789)	(13 999)	(11 146)		(120 473)
Carrying value of disposals	-	-	46 979	162 494		409	94 105	50 732	83 344	-		438 063
Cost/Revaluation			64 032	422 265		11 014	1 796 927	1 180 498	1 000 390	509		4 475 637
Accumulated depreciation			(17 053)	(231 433)		(5 207)	(1 389 516)	(1 103 534)	(753 779)	(509)		(3 501 032)
Accumulated impairment				(28 338)		(5 398)	(313 306)	(26 232)	(163 268)			(536 542)
as at 30 June 2016	61 044 317	12 735 702	20 552 361	100 620 404	58 702 772	3 751 146	4 779 553	2 098 527	4 539 049	(9 463)	1 021 684	269 836 049
Cost/Revaluation	61 044 317	28 245 158	38 030 138	145 149 856	58 702 772	7 371 676	10 312 112	7 810 855	9 962 461	9 978	1 247 483	367 886 806
Accumulated depreciation	-	(14 513 649)	(17 279 375)	(41 211 708)	-	(3 459 922)	(5 368 692)	(5 671 412)	(5 394 350)	(8 296)	-	(92 907 403)
Accumulated impairment	-	(995 808)	(198 402)	(3 317 745)	-	(160 608)	(163 867)	(40 916)	(29 063)	(11 146)	(225 799)	(5 143 354)

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Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

Reconciliation of Carrying Value	Land	Buildings	Infrastructure Electricity	Infrastructure Roads	Assets under construction	Infrastructure Other	Machinery & Equipment	Furniture & Equipment	Motor Vehicles	Leased Assets	Housing Letting schemes	Total
as at 1 July 2014	61 044 317	14 398 453	21 167 136	75 227 472	39 085 117	3 403 344	3 126 412	1 289 075	2 801 872	2 995	1 247 483	222 793 676
Cost/Revaluation	61 044 317	28 102 846	36 670 183	111 399 379	39 085 117	6 151 099	9 319 522	7 334 516	8 245 415	10 488	1 247 483	308 610 365
Accumulated depreciation	-	(12 811 200)	(15 430 812)	(33 368 333)	-	(2 596 226)	(5 717 736)	(5 988 494)	(5 280 210)	(7 493)	-	(81 200 505)
Accumulated impairment	-	(893 193)	(72 235)	(2 803 574)	-	(151 529)	(475 374)	(56 947)	(163 333)	-	-	(4 616 185)
Acquisitions		10 097			26 382 415		561 469	516 477	1 400 037			28 870 496
Newly identified assets at fair value							38 161	74 533				112 694
Assets under construction brought into use		52 000	137 106	17 356 004	(18 767 801)	1 222 692						(0)
Depreciation		(867 559)	(980 190)	(4 270 951)		(411 782)	(501 387)	(339 865)	(319 148)	(764)		(7 691 647)
Impairment		(97 012)	(103 004)	(512 856)				(5 412)	(14 999)		(225 799)	(959 081)
Carrying value of disposals	-	-	-	1 125 547		-	-	-	-	-		1 233 061
Cost/Revaluation			150 603	1 804 038								1 954 640
Accumulated depreciation			(43 088)	(662 648)								(705 736)
Accumulated impairment				(15 843)								(15 843)
as at 30 June 2015	61 044 317	13 495 979	20 113 533	86 674 123	46 699 731	4 214 253	3 224 654	1 534 809	3 867 762	2 231	1 021 684	241 893 076
Cost/Revaluation	61 044 317	28 164 943	36 656 686	126 951 346	46 699 731	7 373 790	9 919 152	7 925 527	9 645 452	10 488	1 247 483	335 638 915
Accumulated depreciation	-	(13 678 759)	(16 367 914)	(36 976 637)	-	(3 008 008)	(6 219 124)	(6 328 359)	(5 599 358)	(8 257)	-	(88 186 416)
Accumulated impairment	-	(990 205)	(175 239)	(3 300 586)	-	(151 529)	(475 374)	(62 359)	(178 332)	-	(225 799)	(5 559 423)

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Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	Note	2016	2015
		R	R
10 INTANGIBLE ASSETS			
10 Reconciliation of carrying value			
		R	R
as at 1 July 2015		32 081	46 284
Cost		915 876	915 876
Accumulated amortisation and impairment losses		(883 795)	(869 592)
Acquisitions		10 921	
Amortisation		(11 525)	(14 202)
Carrying value of disposals		-	-
Cost		-	-
Accumulated amortisation		-	-
as at 30 June 2016		31 477	32 081
Cost		926 797	915 876
Accumulated amortisation and impairment losses		(895 320)	(883 794)

The carrying value of intangible assets disclosed relate to computer software

11 INVESTMENT PROPERTY CARRIED AT FAIR VALUE

11 Reconciliation of fair value	Investment property	Total
as at 1 July 2015	21 064 034	21 064 034
Acquisitions	-	-
Fair value adjustment	3 013 966	3 013 966
as at 30 June 2016	24 078 000	24 078 000
11 Reconciliation of fair value	Investment property	Total
as at 1 July 2014	21 064 034	21 064 034
Acquisitions	-	-
as at 30 June 2015	21 064 034	21 064 034
The fair values of these properties as valued by councils valuer at 01 July 2013 amounts to	21 064 034	21 064 034

The investment property values are based on the valuation roll. The effective date of the revaluations was 30 June 2012. Valuations were performed by an independent valuer, Khari Theodor Hellberg, Professional Valuer, Registration number 696, of Umhlaba Geomatics Incorporated. The valuer are not connected to the municipality and have recent experience in the location and category of the investment property being valued. The valuation was based on open market value.

Rental income from these properties amount to	1 494 967	1 419 708
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No amounts were expensed towards repairs and maintenance costs for income generating investment properties

Details of investment properties are included in a register which is available for inspection at the municipal offices

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	R	R
12 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	10 553 920	11 845 956
Payments received in advance	1 205 702	2 039 208
Retentions	2 223 249	1 968 261
Umzinyathi District Municipality - water & sanitation transfer	2 508 107	2 005 147
Staff leave accrual	2 935 405	2 303 222
Deposits - other	65 190	91 322
Other creditors	3 009 451	3 109 746
Total	22 501 024	23 362 862
The fair value of trade and other payables approximates their carrying amounts.		
13 CONSUMER DEPOSITS		
Electricity	4 186 021	3 940 537
Guarantees held in lieu of Electricity and Water Deposits	159 310	159 310
14 VAT PAYABLE		
VAT payable	2 040 003	2 150 551
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
15 PROVISIONS		
15 CURRENT PROVISIONS		
Current portion of long-service provision	657 874	444 000
Current portion of retirement benefit obligations	1 818 182	1 733 000
Total	2 476 056	2 177 000
15 NON-CURRENT PROVISIONS		
Provision for rehabilitation of landfill sites	7 819 740	5 847 069
Provision for long-service awards	4 151 203	4 094 000
Total Non-Current Provisions	11 970 943	9 941 069
Provision for rehabilitation of landfill sites		
Opening Balance	5 847 069	9 527 855
Unwinding discount	1 972 671	-3 680 786
Balance at the end of year	7 819 740	5 847 069
The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 10.5%, over an average period of 5.9 years.		
The provision created for the rehabilitation of the landfill site is based on Anderson Vogt Consulting Engineers assessment of the rehabilitation costs of the Glencoe dumpsite. A study will be done to determine the cost estimate in the near future		
The provision is calculated in line with the consulting engineers assessment as determined by discounting the present value of the estimate. Council intends to commence spending against the provision in 5.9 years.		
Provision for long-service awards		
Opening Balance	4 538 000	4 059 000
Contribution to provision	552 572	744 428
Expenditure incurred	-281 495	-265 428
	4 809 077	4 538 000
Transfer to current provisions	-657 874	-444 000
Balance at the end of year	4 151 203	4 094 000
The long-service award is payable after every 10 years and thereafter after 5 year intervals of continuous service.		
16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from other spheres of Government		
Seta Grant	819 777	1 432 558
Municipal Infrastructure Grant	284 433	-

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	R	R
Transfer / Buyback Centre	7 288	6 912
DBSA Grant	-	44 000
Sibongile Dundee Cyber Cadet Grant	381 822	251 756
Department of Sports Grant	318	318
Museum Grant	1 965	84 722
Sport Grant 2014	3 612	3 612
Rural Horse Riding Grant	3 217 355	-
Sibongile Sewer Upgrading	-	42 011
Upgrade Sibongile Hostel	506 673	480 838
KZN Housing	206 365	206 365
Upgrade Sithembile Hostel	349 076	331 198
Capacity Building	-	34 038
Training of councillors	27 602	27 602
Pound Grant	132 259	132 259
Integrated National Electrification Programme grant	7 497 015	4 815 437
Sibongile housing project	1 429 151	1 429 151
Small Town Rehabilitation	2 790 355	5 085 283

Total Unspent Conditional Grants and Receipts

17 655 065 14 408 061

See Note 25 for reconciliation of grants from other spheres of government. These amounts are invested in ring-fenced investment until utilised.

17 BORROWINGS

Annuity Loans	2 758 878	5 103 654
Non - current borrowings	2 758 878	5 103 654
Current portion transferred to current liabilities	2 561 088	2 289 981
Annuity Loans	2 561 088	2 289 981
Total borrowings	5 319 966	7 393 636

Refer to Appendix A for more detail on borrowings.

Annuity loans

Bear interest at rates between at 17% per annum, are being redeemed in Bi-annual installments, including interest, until 2018

Security

The annuity loans are not secured against any assets of the municipality

18 HOUSING DEVELOPMENT FUND RESERVE

Housing Operating Account	4 336 637	4 208 332
	4 336 637	4 208 332

The housing development fund is represented by the following assets & liabilities:

Fixed assets	1 021 684	1 021 684
Debtors	2 887 675	2 781 419
Cash at bank	427 278	405 229
Total Housing Operating Account Assets and Liabilities	4 336 637	4 208 332

19 OTHER RESERVES

Insurance Reserve	854 804	901 309
	854 804	901 309

20 PROPERTY RATES

Actual

Agriculture properties used for agricultural purposes	708 146	634 643
Agricultural properties used for other business and commercial purposes	223 315	206 596
Agricultural - Land Reform	15 072	1 390
Agricultural - Land Reform 2nd year	2 850	3 424
Agricultural - Land Reform 3rd year	5 736	11 615
Smallholding used for agricultural/residential purposes	327 629	284 051
Smallholding used for business/commercial/industrial purposes	-	-
Smallholding - Land Reform	-	-
Smallholding - Land Reform 2nd year	-55	11 553
Business and Commercial properties(with residential usage)	2 406 367	2 178 262
Business and Commercial properties	10 247 317	9 461 211

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	R	R
Industrial properties	4 049 201	3 694 178
Industrial properties (with residential usage)	113 595	104 930
Land Reform	-144	
Mining properties	288 915	267 285
Public Benefits Organisation	60 228	48 402
Public service infrastructure	71 263	85 273
Residentially Based Business	449 312	418 505
Residential Properties	25 769 309	23 534 829
Schools	4 386 255	3 477 050
State owned properties	5 080 365	4 244 861
Sport, recreation & social	32 158	29 645
Vacant Land (other than residential)	1 148 878	-
Vacant Land zoned residential	2 207 948	-
Leases	1 546	1 431
Reassessment of prior year charges	86 178	-1 630 826
Vacant Property	-	3222144
Total	57 681 385	50 290 453

Valuations

Agriculture properties used for agricultural purposes	550 818 000	517 892 000
Agricultural properties used for other business and commercial purposes	17 743 000	17 743 000
Land Reform Agricultural Properties		
Land Reform Agricultural Properties (25% Rebate)	5 870 000	12 350 000
Land Reform Agricultural Properties (50% Rebate)	4 176 000	5 870 000
Land Reform Agricultural Properties (75% Rebate)	43 928 000	4 176 000
Smallholding used for agricultural/residential purposes	55 837 000	53 022 000
Land Reform Smallholding 2nd year (25% Rebate)		2 815 000
Business and Commercial properties (with residential usage)	75 153 000	72 953 000
Business and Commercial properties	316 950 000	315 135 000
Cemetery (Private)	442 000	442 000
Industrial properties	123 490 000	122 470 000
Informal settlements	350 000	350 000
Industrial properties (with residential usage)	3 430 000	3 430 000
Land reform properties	59 918 000	124 422 000
Mining properties	7 725 000	7 725 000
Municipal properties	165 287 000	165 222 000
Public Benefits Organisation	43 818 000	43 818 000
Public service infrastructure	38 314 000	38 314 000
Public Benefits Organisation property	17 988 000	17 988 000
Privately owned town serviced by the owner	4 201 000	4 201 000
Residential Based Business Properties	36 057 000	36 057 000
Residential Properties	2 300 930 000	2 239 367 000
Schools (Private and State)	103 206 000	103 206 000
State owned properties	119 538 000	119 538 000
Sports Social and Recreation Clubs	5 074 000	5 074 000
Public worship	51 225 000	51 225 000
Worship Residential	12 458 000	12 458 000
Vacant Property	39 202 000	41 127 000
Total Property Valuations	4 203 128 000	4 097 263 000

The last general valuation came into effect on:

01/07/2012 01/07/2012

Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 with effect from 01/07/2012.

Interim valuations are processed on a quarterly basis to take into account changes in individual land values due to consolidations and subdivisions.

Assessment rates: Cents in the rand on market valuation as follows:

Agriculture properties used for agriculture purposes	0.35c/R	0.33c/R
Agricultural properties used for other business and commercial	3.74c/R	3.46c/R
Agriculture properties used for agriculture purposes- Land Reform	0.36c/R	0.33c/R
Smallholding used for agricultural or residential purposes- Land Reform	1.24c/R	1.14c/R
Smallholding used for agricultural or residential purposes	1.24c/R	1.14c/R
Smallholding used for business, commercial and industrial properties	3.74c/R	3.46c/R
Business and commercial properties (with residential usage)	3.74c/R	3.46c/R
Business and commercial properties	3.74c/R	3.46c/R
Industrial properties	3.75c/R	3.47c/R
Informal settlements	-	-
Industrial properties (with residential usage)	3.75c/R	3.47c/R
Mining properties	3.74c/R	3.46c/R
Municipal properties	-	-
Public benefit organisation	-	-
Public benefit organisation properties	0.35c/R	0.33c/R
Public service infrastructure	0.35c/R	0.33c/R
Public Worship	-	-
Residential properties	1.41c/R	1.30c/R
Residential based business	1.56c/R	1.44c/R

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	R	R
Sport , Recreation and sports clubs	0.64c/R	0.59c/R
Schools (Private and state)	4.25c/R	3.93c/R
State owned properties	4.25c/R	3.93c/R
State trust land	-	-
Vacant properties	8.59c/R	7.95c/R
Worship residential	-	-

The first R50 000 of the valuation of residential properties are exempt from the calculation of rates.

The first R15 000 of the valuation of vacant land zoned residential are exempt from the calculation of rates.

The first R15 000 of the valuation of industrial properties with residential usage are exempt from the calculation of rates.

The first R15 000 of the valuation of Business and Commercial properties with residential usage are exempt from the calculation of rates.

Rebates:

Agricultural property	62%	62%
Smallholdings	52%	52%
Business and commercial properties	12%	12%
Industrial properties	12%	12%
Land reform, worship, PBO's, monuments, informal settlements and municipal owned property	0%	0%
Residential properties	22%	22%
Public service infrastructure	56%	30%
Pensioners (Earning R4500 per month)	25%	25%
Pensioners (Earning R4501 - R5000 per month)	20%	20%
Pensioners (Earning R5001 - R5500 per month)	15%	15%

Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004 for the 2016 financial year):

On a monthly basis, and the final dates of payment being the last working day of the month from August 2015 to June 2016.

Interest is levied on outstanding rates per annum at:	12%	12%
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21 SERVICE CHARGES

Sale of electricity	103 511 064	95 719 040
Refuse removal	17 019 800	15 648 509
Total Service Charges	120 530 864	111 367 549

22 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities and equipment	1 578 749	1 479 354
Total Rentals	1 578 749	1 479 354

23 INTEREST EARNED - EXTERNAL INVESTMENTS

Bank	3 984 499	2 267 557
Total Interest	3 984 499	2 267 557

24 INTEREST EARNED - OUTSTANDING RECEIVABLES

Interest on land sales	2 505	3 886
Total interest	2 505	3 886

25 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	41 242 000	37 042 000
Municipal infrastructure grant	14 556 567	14 383 000
Financial management grant	1 600 000	1 600 000
Library subsidy	2 787 000	2 700 000
SETA grant	735 166	151 253
Municipal systems improvement grant	930 000	934 000
Sibongile Dundee Cyber Cadet grant	234 656	165 463
Department of sports grant	-	-
Museum subsidy	380 000	362 000
Museum Grant	82 757	165 278
Department of local government and traditional affairs - Sibongile	42 011	38 917
KZN Housing - Sibongile hostel	-	5 602
KZN Housing - Ext 18	-	78 069
Dept of Human Settlements - Sibongile Housing	-	3 195 720
Training of Councillors grant	-	-
Sport Grant 2014	-	84 318
Municipal Pound grant	-	-
Integrated National Electrification Programme grant 2015	4 815 437	3 184 563
Integrated National Electrification Programme grant 2016	2 502 985	-
Expanded Public Works Programme	1 125 000	1 000 000

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	R	R
Transfer / Buyback Centre	-	-
Capacity building - DBSA	34 038	17 262
Craigieside development	-	14 255
Development systems improvement grant	-	14 074
DBSA grant	44 000	279 633
Small Town Rehabilitation Grant	5 414 140	
Rural Horse Riding Grant	6 818 764	
Total Government Grant and Subsidies	83 344 522	65 415 407
25 Equitable Share		
Balance unspent at beginning of year	-	-
Current year receipts	41 242 000	37 042 000
Conditions met – transferred to revenue	(41 242 000)	(37 042 000)
Conditions still to be met-transferred to liabilities (see note 16)	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
25 Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	-
Current year receipts	14 841 000	14 383 000
Conditions met - transferred to revenue	-14 556 567	(14 383 000)
Conditions still to be met-transferred to liabilities (see note 16)	284 433	-
This grant was used for road infrastructure as part of upgrading of informal settlements as well as the building of halls and a sport facility. No funds withheld.		
25 Financial Management Grant		
Balance unspent at beginning of year	-	-
Current year receipts	1 600 000	1 600 000
Conditions met - transferred to revenue	-1 600 000	-1 600 000
Conditions still to be met-transferred to liabilities (see note 16)	-	-
This grant was used for implementation of MFMA, finance reforms and payment of intern's salaries. No funds were withheld.		
25 Library subsidy		
Balance unspent at beginning of year	-	-
Current year receipts	2 787 000	2 700 000
Conditions met - transferred to revenue	-2 787 000	-2 700 000
Conditions still to be met-transferred to liabilities (see note 16)	-	-
This grant is in respect of the municipal library services.		
25 SETA grant		
Balance unspent at beginning of year	1 432 558	1 464 494
Current year receipts	122 385	119 316
Conditions met - transferred to revenue	(735 166)	(151 253)
Conditions still to be met-transferred to liabilities (see note 16)	819 777	1 432 558
This grant is in respect of training municipal staff. No Funds were withheld		
25 Museum Grant		
Balance unspent at beginning of year	84 722	
Current year receipts	-	250 000
Conditions met - transferred to revenue	-82 757	-165 278
Balance owing transferred to debtors (Refer to note 18)	1 965	84 722
The grant was for the upgrade of infrastructure at the museum. No funds were withheld.		
25 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	-	-
Current year receipts	930 000	934 000

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	R	R
Conditions met - transferred to revenue	-930 000	-934 000
Conditions still to be met-transferred to liabilities (see note 16)	-	-
This grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Municipal Systems Act.		
25 Development information systems grant		
Balance unspent at beginning of year	-	14 073
Current year receipts	-	-
Conditions met - transferred to revenue	-	-14 073
Conditions still to be met-transferred to liabilities (see note 16)	-	-
This grant was used for the development of information systems.		
No funds were withheld.		
25 Development Bank of South Africa		
Balance unspent at beginning of year	44 000	323 633
Current year receipts	-	-
Conditions met - transferred to revenue	-44 000	-279 633
Conditions still to be met-transferred to liabilities (see note 16)	-	44 000
This grant was used for the implementation of financial software.		
No funds were withheld.		
25 Sibongile Dundee Cyber Cadet grant		
Balance unspent at beginning of year	251 756	157 503
Current year receipts	364 722	259 716
Conditions met - transferred to revenue	-234 656	(165 463)
Conditions still to be met-transferred to liabilities (see note 16)	381 822	251 756
This grant is for the Cyber Cadets. No funds were withheld.		
25 Department of Sports grant		
Balance unspent at beginning of year	317	317
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 16)	317	317
This grant is intended for the building of a sports facility.		
No funds were withheld.		
25 Capacity Building - DBSA		
Balance unspent at beginning of year	34 038	51 300
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	-34 038	-17 262
Conditions still to be met-transferred to liabilities (see note 16)	-	34 038
This grant was received from the DBSA for capacity building.		
No funds were withheld.		
25 Museum subsidy		
Balance unspent at beginning of year	-	-
Current year receipts	380 000	362 000
Expenditure claimed in accordance with grant conditions	-380 000	-362 000
Conditions still to be met-transferred to liabilities (see note 16)	-	-
This grant is to fund museum services. No funds were withheld.		
25 Department of local government and traditional affairs - Sibongile		
Balance unspent at beginning of year	42 011	80 928
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	(42 011)	(38 917)
Conditions still to be met-transferred to liabilities (see note 16)	-	42 011
This grant is for the Sithembile sewer upgrade. No funds were withheld.		
25 KZN Housing - Sibongile hostel		
Balance unspent at beginning of year	480 838	464 688
Current year receipts	25 834	21 753

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	R	R
Expenditure claimed in accordance with grant conditions	-	-5 602
Conditions still to be met-transferred to liabilities (see note 16)	506 673	480 838
This grant is for the upgrade of the Sibongile hostel. No funds were withheld.		
25 KZN Housing - Ext 18 housing project		
Balance unspent at beginning of year	206 365	284 434
Current year receipts	-	
Expenditure claimed in accordance with grant conditions	-	(78 069)
Balance owing transferred to debtors (Refer to note 18)	206 365	206 365
This grant is for the upgrade of the Extension 18 housing project. No funds were withheld.		
25 KZN Housing - Upgrade of Sithembile Hostel		
Balance unspent at beginning of year	331 198	316 256
Current year receipts	17 878	14 942
Expenditure claimed in accordance with grant conditions		
Conditions still to be met-transferred to liabilities (see note 16)	349 076	331 198
This grant is for the upgrade of Sithembile hostel. No funds were withheld.		
25 Dept of Human Settements - Sibongile Housing Development		
Balance unspent at beginning of year	1 429 151	741 769
Current year receipts	-	3 883 102
Expenditure claimed in accordance with grant conditions	-	-3 195 720
Balance owing transferred to debtors (Refer to note 18)	1 429 151	1 429 151
This grant is for the Sibongile Bufferstrip housing. No funds were withheld.		
Department of Cooperative Governance and Traditional Affairs - Training of		
25 Councillor Grant		
Balance unspent at beginning of year	27 602	27 602
Adjustments and transfers	-	-
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 16)	27 602	27 602
This grant is for the training of Councillors. No funds were withheld.		
Department of Cooperative Governance and Traditional Affairs - Pound		
25 Grant		
Balance unspent at beginning of year	132 259	132 259
Current year receipts		
Expenditure claimed in accordance with grant conditions		
Conditions still to be met-transferred to liabilities (see note 16)	132 259	132 259
This grant is for the establishment of a municipal pound. No funds were withheld.		
25 KZN Housing - Craigsid development		
Balance unspent at beginning of year	-	14 255
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	-	-14 255
Conditions still to be met-transferred to liabilities (see note 16)	-	-
This grant is for the development of Craigsid housing. No funds were withheld.		
Department of National Energy - Integrated National Electrification		
25 Programme 2015		

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	R	R
Balance unspent at beginning of year	4 815 437	
Current year receipts		8 000 000
Expenditure claimed in accordance with grant conditions	-4 815 437	(3 184 563)
Conditions still to be met-transferred to liabilities (see note 16)	<u>-</u>	<u>4 815 437</u>
This grant is for the Integrated National Electrification Programme increasing access to electricity specially in rural areas. No funds were withheld.		
25 Department of National Energy - Integrated National Electrification Programme 2016		
Balance unspent at beginning of year	-	
Current year receipts	10 000 000	
Expenditure claimed in accordance with grant conditions	-2 502 985	
Conditions still to be met-transferred to liabilities (see note 16)	<u>7 497 015</u>	<u>-</u>
This grant is for the Integrated National Electrification Programme increasing access to electricity specially in rural areas. No funds were withheld.		
25 Department of Environmental Affairs - Transfer station		
Balance unspent at beginning of year	6 912	6 600
Current year receipts	376	313
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 16)	<u>7 288</u>	<u>6 912</u>
The grant is for improvement of public participation. No funds were withheld.		
25 Dept of Public Works - Expanded Public Works Programme		
Balance unspent at beginning of year	-	-
Current year receipts	1 125 000	1 000 000
Conditions met - transferred to revenue	-1 125 000	(1 000 000)
Conditions still to be met-transferred to liabilities (see note 16)	<u>-</u>	<u>-</u>
This grant is for the job creating programme by the Dept of Public Works No funds were withheld.		
25 Department of Sports Grant		
Balance unspent at beginning of year	3 612	87 930
Current year receipts	-	
Conditions met - transferred to revenue	-	(84 318)
Conditions still to be met-transferred to liabilities (see note 16)	<u>3 612</u>	<u>3 612</u>
This grant is intended for the maintenance of a sports facility. No funds were withheld.		
25 Small town rehabilitation grant		
Balance unspent at beginning of year	5 085 283	
Current year receipts	3 119 212	5 085 283
Conditions met - transferred to revenue	(5 414 140)	
Conditions still to be met-transferred to liabilities (see note 16)	<u>2 790 355</u>	<u>5 085 283</u>
This grant is intended for the commercialisation of mixed agricultural projects and rehabilitation of parks. No funds were withheld.		
25 Rural Horse Riding Grant		
Balance unspent at beginning of year	-	
Current year receipts	10 036 119	
Conditions met - transferred to revenue	-6 818 764	
Conditions still to be met-transferred to liabilities (see note 16)	<u>3 217 355</u>	
This grant was for the upgrade of infrastructure at the racetrack. No funds were withheld.		
26 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS		

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	R	R
26 Other Income		
Burial fees	98 479	56 270
Discount received	45 024	33 977
Land Sales	8 304	9 488
Other Income	1 254 736	1 220 557
Donations	185 615	750 094
Total Other Income	1 592 158	2 070 387

27 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	49 324 416	43 329 227
Annuation Insurance	8 109	8 331
Performance and other bonuses	3 673 489	3 267 603
Casual labour	1 280 119	488 909
Contribution to leave reserve	632 183	-1 902 662
Group Life	308 888	321 725
Leave	1 602 747	1 809 782
Medical Aid	3 840 271	3 552 070
Housing allowances	1 050 873	253 528
Protective clothing and uniforms	194 731	235 493
Overtime payments	1 905 084	1 751 173
Pension	9 223 904	8 537 794
SALGA Shop fee	27 492	25 574
SARPA Membership	11 644	1 914
SAMRO	4 651	4 971
Standby Allowance	366 526	330 450
Sundry Allowance	1 495 565	1 215 654
Transport allowance	4 298 126	3 535 936
UIF	443 753	417 302

Total	79 692 570	67 184 774
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Remuneration of the Municipal Manager

Annual Remuneration	1 003 500	948 691
Car Allowance	60 412	62 490
Performance- and other bonuses	-	-
Cellphone allowance	24 000	24 000
Contributions to UIF, Medical and Pension Funds	170 594	161 386
Acting Allowance - MM	498 580	205 709
Total	1 757 086	1 402 275

The position of Municipal Manager was filled on 1st September 2012 and the incumbent was subsequently suspended on 18 April 2013. The municipal manager is currently still on suspension and the case against him is still ongoing. The above remuneration includes an acting allowance for the managers acting in the position of MM in the 2015/2016 financial year.

Remuneration of the Chief Finance Officer

Annual Remuneration	803 088	316 336
Leave conversion	-	-
Acting Allowance	-	3 898
Performance- and other bonuses	-	-
Housing allowance	84 996	29 570
Cell phone allowance	11 400	6 650
Car allowance	175 603	84 000
Contributions to UIF, Medical and Pension Funds	47 473	23 190
Total	1 122 559	463 644

The position of the Chief Financial Officer became vacant in June 2013 and the position was filled in December 2014.

Remuneration of Individual Executive Managers

2016

	Technical Services R	Corporate Services R
Annual Remuneration	-	601 928
Leave conversion	-	99 403
Acting Allowance	21 049	7 654
Performance- and other bonuses	-	-
Cell phone allowance	-	9 500
Car allowance	-	126 456
Contributions to UIF, Medical and Pension Funds	-	115 231
Total	21 049	960 172

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
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The Executive Manager Technical Services position became vacant in June 2013 and has been vacant for the financial year. The above remuneration includes an acting allowance for the manager acting in the position of executive manager technical services in the 2015/2016 financial year.

The position of the Executive Manager Corporate Services became vacant in May 2016 due to the passing away of the executive manager. The above remuneration includes an acting allowance for the manager acting during the period in which the post was vacant for the 2015/2016 financial year.

2015

Annual Remuneration
Leave conversion
Acting Allowance
Performance- and other bonuses
Cell phone allowance
Car allowance
Contributions to UIF, Medical and Pension Funds
Total

2016 **2015**
R **R**

Technical Services R	Corporate Services R
	218 400
-	-
33 131	13 897
-	-
-	5 700
-	87 659
-	46 999
33 131	372 655

28 REMUNERATION OF COUNCILLORS

Executive Mayor
Deputy Executive Mayor
Speaker
Executive Committee Member
Councillors
Councillors' travel allowances
Total Councillors' Remuneration

443 840	346 701
358 891	322 240
359 505	337 006
338 125	317 247
1 586 382	1 493 266
473 146	442 965
3 559 888	3 259 426

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor and Speaker are part-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of the Council owned vehicle for official duties. The Executive Mayor has one full-time bodyguard and driver and 24hour security. The Deputy Executive Mayor has a driver and bodyguard. Certain councillors also had 24 hour security and Body Guards.

29 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment
Intangible assets
Total Depreciation and Amortisation

8 222 020	7 691 647
11 525	23 104
8 233 545	7 714 751

30 FINANCE COSTS

Borrowings
Total Finance Costs

790 392	1 028 259
790 392	1 028 259

31 BULK PURCHASES

Electricity

75 592 334 70 634 217

Total Bulk Purchases

75 592 334	70 634 217
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32 CONTRACTED SERVICES

Contracted services

4 899 285 4 333 158

4 899 285	4 333 158
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33 GENERAL EXPENSES

Included in general expenses are the following:-

Advertising	288 860	303 785
Amendments To Acts & Ord.	124 950	51 923
Audit Committee	236 802	124 172
Audit Fees & Internal Audit Fees	2 931 819	2 509 519
Bank Charges	819 710	815 620
H I V Aids	84 308	149 120
Indigent Support	3 398 314	1 709 751

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	R	R
Insurance	234 870	242 949
Lease Payments	145 060	160 349
Led Projects	186 145	415 000
Legal Expenses	1 197 542	1 121 923
Materials	564 831	447 280
Membership Fees Kwanaloga	901 587	760 757
Meter Reading Fees	149 280	192 804
National Cleanest Town Compet	69 946	64 955
New Connections	438 788	521 111
Postages	324 132	314 034
Printing & Stationery	924 150	907 652
Prodiba - Payments	420 991	431 024
Marketing Of Endumeni	359 023	309 100
Rural Horse Riding Event	611 869	430 608
Security	6 671 167	5 331 153
Service Of Process	20 408	75 583
Sport, Youth, Arts And Culture	666 775	516 270
Staff Training and Levy	695 028	712 853
Subsistence & Travelling	1 302 787	924 379
Telephone	891 270	806 940
Traffic Control	145 516	143 100
Transport Cost	4 497 584	4 532 258
Valuation Fees	313 047	271 254
Valuation Reduction	6 799 398	6 096 298
Other General Expenses	4 687 400	3 722 914
Technical Support	1 328 312	485 175
Recharges	(415 051)	(1 484 841)
Grant expenditure condition met	5 351 667	3 264 782
	47 368 287	37 381 556
34 GAIN / (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	452 973	1 233 061
Intangible assets	-	-
Total Gain / (Loss) on Sale of Assets	452 973	1 233 061
35 IMPAIRMENT LOSS / (REVERSAL OF IMPAIRMENT LOSS)		
Property, plant and equipment	120 473	959 081
Consumable Stores Impairment Loss	78 218	59 629
Total Impairment loss / (Reversal of Impairment Loss)	198 691	1 018 710
<p>During the financial period a physical verification of assets was undertaken. Assets identified during the physical verification that is deemed to be in a very poor physical condition was tested for possible impairment. As a result, 355 assets were tested for impairment, and additional impairment losses amounting to R 120 472.81 were recognised in respect of 43 of these assets</p> <p>During the inventory count, inventory was verified for possible impairment. Redundant electrical inventory and consumables to the value of R28 688 was impaired.</p>		
36 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT		
Investment property carried at fair value	3 013 966	
Other newly identified assets	-	112 694
Total Profit / (Loss) on Fair Value Adjustment	3 013 966	112 694
37 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	31 426 345	42 783 746
Adjustment for:-		
Depreciation and amortisation	8 222 020	7 691 647
Amortisation	11 525	14 202
(Gain) / loss on sale of assets	(452 973)	1 233 061
Contribution to retirement benefit obligation	7 301 449	(760 255)
Contribution to landfill site provision	1 972 671	(3 680 786)
Contribution to bad debt provision	9 521 015	3 745 085
Contribution to leave provision	632 183	(1 902 662)
Straightlining of leases	(37 814)	42 354
Finance costs	790 392	1 028 259
Fair value adjustments	(3 013 966)	(112 694)
Impairment loss / (reversal of impairment loss)	120 473	959 081
Impairment loss / (reversal of impairment loss) on inventory	78 218	59 629
Fines revenue	(1 728 970)	(2 329 033)

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	R	R
Donations	(185 615)	(750 094)
Reserve income	81 800	(611 670)
Other payments	-	(1 850 155)
Interest earned	(3 987 004)	(2 271 443)
Operating surplus before working capital changes:	50 751 749	43 288 273
(Increase)/decrease in inventories	(196 345)	352 446
(Increase)/decrease in trade receivables	(5 773 916)	(25 613 528)
(Increase)/decrease in other receivables	(1 684 886)	21 308 980
Increase/(decrease) in VAT payable	(110 548)	(473 853)
Increase/(decrease) in conditional grants and receipts	3 247 005	10 240 018
Increase/(decrease) in trade payables	(1 486 821)	(1 131 696)
Cash generated by/(utilised in) operations	44 746 239	47 970 640

38 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	1 303 476	1 001 083
Call investment deposits	67 041 335	56 901 507
Net cash and cash equivalents (net of bank overdrafts)	68 344 812	57 902 590

39 CHANGE IN ACCOUNTING POLICY

No adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from a change in accounting policy.

41 CHANGE IN ESTIMATE

There has been no significant changes in accounting estimates in the current reporting period.

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

42 DISALLOWED

42 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	-	-
Unauthorised expenditure current year	-	-8 617 722
Approved by Council or condoned	-	8 617 722
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-

42 Fruitless and wasteful expenditure

No fruitless and wasteful expenditure was incurred for the year ended 30 June 2015

Reconciliation of fruitless and wasteful expenditure

Opening balance -	-	-
Fruitless and wasteful expenditure current year	4 150	-
Condoned or written off by Council	-	-
To be recovered – contingent asset (see note 55)	-	-
Fruitless and wasteful expenditure awaiting condonement	4 150	-

42 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	205 837	201 103
Irregular expenditure current year	222 614	125 133
Condoned by Council	-	-120 399
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	428 451	205 837

Supply chain management policy deviations (Refer to note 43)

- Hampers for woman's forum	7 892
- Programme directing and Entertainment- Woman's Launch	2 500
- Hire of Sound	2 800
- Hire of tent, tables and chairs for soil turning for garden project	3 170
- Catering for soil turning for garden project	2 520
- Loud hailing for public meeting (Ext 19-Buffer strip housing project)	1 400

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	R	R
- Hiring of tent, tables and chairs for public meeting	3 190	
- Full page Corporate Profile online	49 950	
- Catering for Battlefields Carnival	15 700	
- Face painting and clowns- Battlefields Carnival	4 000	
- Hire of Drum Majorettes- Battlefields Carnival	3 000	
- Hire of sound system- Spring festival	4 000	
- Hire of frame and tent- Spring Festival	5 500	
- Hire of a 4 pole tent, chairs and tables	15 860	
- Entertainment at Sibongile	5 000	
- Endumeni School voter registration campaign	20 000	
- Donation of a cow to St John's Apostolic Faith Mission	9 800	
- Provide refreshment for Council Meeting	1 200	
- Repair to Office computer	1 105	
- Provide Programme Director and entertainment service at Mayoral Imbizo	52 600	
- Provide lunch for LED meeting	2 757	
- Provide entertainment at Youth day celebration	8 000	
- Donation of fruit at Youth Day celebration	670	
- Cleaning and maintenance		5 091
- Music Performance		16 000
- Catering		15 106
- Accommodation		4 075
- Hire of Tents		4 100
- Hire Of Taxis		6 350
- Forensic audit		74 411
	222 614	125 133
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE		
43 MANAGEMENT ACT		
43 Contributions to organised local government		
Opening balance	-	-
Council subscriptions	921 087	878 800
Amount paid - current	-60 490	-878 800
Amount paid - previous years	-860 597	
Balance unpaid (included in payables)	-	-
43 Audit fees		
Opening balance	-	-
Current year audit fee	2 066 443	1 874 795
Amount paid - current year	-2 066 443	-1 874 795
Amount paid - previous years	-	
Balance unpaid (included in payables)	-	-
Balance unpaid (Included in creditors)		
43 VAT		
Vat received for the year	3 886 104	4 070 233
Vat paid for the year	706 257	587 001
All VAT returns have been submitted by the due date throughout the year.		
43 PAYE and UIF		
Opening balance	-	-
Current year payroll deductions	10 259 185	8 253 812
Amount paid - current year	-10 259 185	-8 253 812
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-
43 Distribution Losses		
Units lost (kilowatts)	18 121 214	22 619 203
Units lost (sales price per kilowatts - rands)	26 096 729	28 759 895
Units lost due to normal distribution losses (sales price per kilowatts - rands [2016 : R 1.479, 2015 : R 1.349])	10 317 480	9 920 297
Units lost due to theft (sales price per kilowatts - rands [2016 : R 1.416, 2015 : R 1.234])	15 779 248	18 837 707
Units lost due to normal distribution losses (percentage)	8%	8%
Units lost due to theft (percentage)	13%	17%

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	R	R
43 Pension and Medical Aid Deductions		
Opening balance	-	-
Current year payroll deductions and Council Contributions	19 364 821	17 815 717
Amount paid - current year	-19 364 821	-17 815 717
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
43 Councillor's arrear consumer accounts		
The following Councillors had arrear accounts outstanding for more than 90 days as at: -		Outstanding more than 90 days
		R
as at 30 June 2016		
No councillor in arrears.		-
Total Councillor Arrear Consumer Accounts		<u>-</u>
as at 30 June 2015		
Councillor: WN Mbatha		594
Total Councillor Arrear Consumer Accounts		<u><u>594</u></u>
43 Deviations of Supply Chain Management Policy		
Short term Insurance - Westwood Insurance Brokers	50 000	
Short Term Insurance services had to be procured for one month as the tender for insurance services could not be awarded during the objection period. This was due to the delay in drawing up the tender document. The deviation was duly authorized by the accounting officer and reported to council. (C06/25/08/15)		
Gem prepaid meters - Landis&Gyr (Pty) Ltd	77 520	
The awarding of the quote for the purchase of GEM prepaid meters did not follow the usual procurement process as this supplier is the sole owners and manufacturers of these meters. The deviation was duly authorized by the accounting officer and reported to council. (C06/25/08/15)		
Training of Ward Committees - Umqondo Consulting	312 360	
The awarding of the quote for the remaining modules of the ward committee training did not follow the usual procurement process as it was impractical to appoint a new service provider when another service provider had already conducted five Modules of the Ward Committee Governance Training. The deviation was duly authorized by the accounting officer and reported to council. (C03/22/09/15-1)		
Power 3 phase meters - Landis&Gyr (Pty) Ltd	177 726	
The awarding of the quote for the purchase of Cash power 3 phase did not follow the usual procurement process as it was a sole provider procurement. The deviation was duly authorized by the accounting officer and reported to council. (B01/24/11/15)		
Towing of Mayoral vehicle - Daves Panelbeaters	1 140	
The awarding of the quote for towing the mayoral vehicle did not follow the usual procurement process as this an emergency. The deviation was duly authorized by the accounting officer and reported to council. (B05/26/01/16)		
Carnival speed fencing - Kwathela Business Enterprise	23 000	
The awarding of the quote for speed fencing did not follow the usual procurement process as this was due to emergency procurement for the carnival. The deviation was duly authorized by the accounting officer and reported to council. (B05/26/01/16)		
Repairs to Mayoral vehicle - Ladysmith Autohouse	20 674	
- Newcastle Volkswagon	37 378	
The awarding of the quote for repairs to the mayoral vehicle did not follow the usual procurement process as this an emergency. The deviation was duly authorized by the accounting officer and reported to council. (B05/26/01/16) and (B07/31/03/16)		
Sewing Project - Cut Price Fabric Centre	16 633	
- Bargain Zone	9 999	
The awarding of the quote for the sewing project did not follow the usual procurement process as the supplier was the sole provider of the materials. The deviation was duly authorized by the accounting officer and reported to council. (B05/26/01/16)		
Financial System Upgrade - Munsoft (Pty) Ltd	456 456	

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	R	R
The awarding of the quote for the upgrade of the financial system did not follow the usual procurement process as this was an sole provider situation. The deviation was duly authorized by the accounting officer and reported to council. (B02/26/04/16)		
Hire of Mayoral Vehicle - Avis Rent a Car	120 199	
The awarding of the quote for car hire did not follow the usual procurement process as it was an emergency as the mayoral vehicle was still being repaired. The deviation was duly authorized by the accounting officer and reported to council. (B06/31/05/16)		
Forensic Services - Paradigm Forensic Services	222 945	
The awarding of the quote for forensic services did not follow the usual procurement process as the service was urgently required and it was impractical to follow the normal scm processes. The deviation was duly authorized by the accounting officer and council. (B05/31/05/16)		
Repairs and Maintenance of UPS - Bocal Electronics KZN	8 351	
The awarding of the quote for UPS did not follow the usual procurement process as this was an sole provider situation. The deviation was duly authorized by the accounting officer and reported to council. (B02/28/06/16)		
Woman's Forum - Khanyenda TM	33 500	
The awarding of the quote for goods and services for the womens forum did not follow the usual procurement process as this was an sole provider situation. The deviation was duly authorized by the accounting officer and reported to council.(B02/28/06/16)		
Provision of Spiritual Service - Ingu Trading	2 000	
The awarding of the quote for the provision of spiritual service did not follow the usual procurement process due to it being an emergency . The deviation was duly authorized by the accounting officer and reported to council. (B02/28/06/16)		
Repairs and Maintanance to Server - Virtulise (Pty) Ltd	42 133	
The awarding of the quote for repairs did not follow the usual procurement process as this was an sole provider situation. The deviation was duly authorized by the accounting officer and reported to council. (B02/28/06/16)		
Servicing of Fire Extinguishers - Zero Tolerance	27 212	
The awarding of the quote for the servicing of the fire extinguishers did not follow the usual procurement process as this was a Strip and Quote. The deviation was duly authorized by the accounting officer and will be reported to council in August 2016.		
First Aid Training - GTS Training and Development	10 164	
The awarding of the quote for first aid training did not follow the usual procurement process as the service was urgently required and it was impractical to follow the normal scm processes. The deviation was duly authorized by the accounting officer and will be reported to council in August 2016.		
Repairs to Transformer		31 011
The awarding of the quote repairs to the transformer did not follow the usual procurement process as this was an sole provider situation. The deviation was duly authorized by the accounting officer and the council on 14 July 2014. (C06/28/08/14)		
Gem prepaid meters		348 840
The awarding of the quote for the purchase of GEM prepaid meters did not follow the usual procurement process as this supplier are the sole owners and manufacturers of these meters. The deviation was duly authorized by the accounting officer and the council on 13 August 2014. (A05/30/09/14)		
Hire of Taxi's		63 042
The awarding of the quote for the hire of taxi's did not follow the usual procurement process as the pick up points were not known. The deviation was duly authorized by the accounting officer and the council on 11 September 2014. (C03/21/10/14-2)		
Repairs to transformer - Catteral drive		78 213
The awarding of the quote for repairs to transformer did not follow the usual procurement process as this was a sole supplier situation as most companies were closed over the festive season. The deviation was duly authorized by the accounting officer and the council on 15 January 2015. (C12/27/01/15)		
Small town rehabilitation		5 000 000

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

The awarding of the quote for a project consultant for the small town rehabilitation project did not follow the usual procurement process as this was an emergency situation. The deviation was duly authorized by the accounting officer and the council on 27 March 2015. (C01/21/04/15-1)

Fixed assets register (Finalisation)

The awarding of the quote for a project consultant for the compilation of the fixed assets register did not follow the usual procurement process as the supplier is the owner and supplier of the system currently being used by the Municipality. The deviation was duly authorized by the accounting officer and the council on 24 April 2015. (A13/30/06/15)

Repairs to Transformer

The awarding of the quote for repairs to the transformer did not follow the usual procurement process as this was an emergency situation. The deviation was duly authorized by the accounting officer on 03 June 2015. To be submitted to council in July 2015.

2016 **2015**

R **R**

696 371

113 741

1 649 389	6 331 218
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43 Section 32 Appointments

9 976 491

Council appointed Philanabantu Trading and SMC construction JV as consultants for the Rural Horse Riding Project. The municipality was required to commit the funds urgently in order to secure the funding therefore a section 32 appointment was made.

44 CAPITAL COMMITMENTS

44 Commitments in respect of capital expenditure

- Approved and contracted for

Infrastructure
Other

13 804 553	6 848 320
13 108 492	6 132 449
696 061	715 871

- Approved but not yet contracted for

Infrastructure
Other

2 790 355	-
2 790 355	-
-	-

Total

16 594 908	6 848 320
------------	-----------

This expenditure will be financed from government grants and internal funding.

- Grant Funded
- Council funded
- External Loans
- Funding still to be sourced

15 904 546	6 132 449
744 185	715 871

16 648 732	6 848 320
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44 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Within one year
In the second to fifth year inclusive
After five years
Total

193 780	104 609
122 901	9 428
316 681	114 036

Operating lease payments represent rentals payable relate to the hiring of office equipment.

Operating leases – as lessor

The future minimum lease payments receivable under operating leases are as follows:

Minimum lease payments due

Within one year
In second to fifth year inclusive
After five years
Total

253 653	210 242
626 254	783 509
290 749	290 749
1 170 656	1 284 500

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

2016	2015
R	R

Operating lease payments receivable relate to rentals for the commonage, vacant land, airport hangers, buildings, advertising space and housing. Operating leases have been straightlined in accordance with GRAP requirements.

45 EMPLOYEE BENEFITS

45 Defined Benefit Plans

Post-employment medical benefits

The municipality operates on 5 accredited medical aid schemes, namely Bonitas, Hosmed, Keyhealth, LA Health, Fed Health and Samwumed. Pensioners continue on the option they belonged to on the day of their retirement.

The independent valuers, One Panaea , carried out a statutory valuation on 30 June 2016.

Statement of Financial Position

The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:

Balance at beginning of the year	45 779 000	48 868 410
Current service cost	4 184 000	1 946 780
Interest cost	1 537 000	4 614 150
Benefit payments	(1 804 551)	(1 584 726)
Actuarial (gains)/losses	3 113 923	(8 065 614)
	52 809 372	45 779 000
Transfer to current provisions	(1 818 182)	(1 733 000)
Total	50 991 190	44 046 000

Statement of Financial Performance

Current service cost	4 184 000	1 946 780
Interest cost	1 537 000	4 614 150
Actuarial (gains)/losses	3 113 923	(8 065 614)
Total	8 834 923	-1 504 684

Total Contribution to post employment medical	8 834 923	-1 504 684
Total Contribution to long service (see note 15)	552 572	744 428
	9 387 495	-760 255

Principal actuarial assumptions:

Discount rate	9.48%	Yield curve
How was the discount rate determined	Market yields on government bonds	
Increase in health care cost	9.12%	CPI+1%
Active members expected to continue after retirement	100%	100%
Average retirement age	63	63

Mortality pre-retirement

Pre- retirement mortality at 30 June 2016	SA 85-90	SA 85-90
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Mortality post-retirement

(Allow for 1% per annum mortality improvement factor from 2010)	PA (90)	PA (90)
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The value of the liabilities is particularly sensitive to the assumed rate of healthcare cost inflation. The sensitivity of the valuation result to a 1% increase and 1% decrease in the assumed healthcare cost inflation assumption is set out below:

Healthcare cost inflation sensitivity	1% decrease	Base (9.12%)	1% increase
Defined benefit obligation	45 584 746	52 809 372	61 777 374
Interest cost (next financial year)	1 757 761	2 175 433	2 716 779
Service cost (next financial year)	4 235 648	4 920 147	5 769 919

46 CONTINGENT LIABILITY

46 JB Maltman

The case against Mr Maltman, dismissed Manager Technical Services who had allegedly received an unjustified enrichment. The case is before the high court. Matter is set down for high court hearing soon. Date not determined.

46 TP Biyela vs. Endumeni

10 000

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	R	R
The municipal manager of Endumeni Municipality had been suspended on the 18 April 2013 pending the outcome of investigations into alleged irregularities. The internal disciplinary case against him is ongoing, after his failed appeals to stop the proceedings.		
46 W Ndlela vs. Endumeni	50 000	
Mr Ndlela was summarily dismissed for misconduct. Matter was taken to bargaining council for unfair dismissal application. The matter has now been finalised in favour of the municipality. he has now taken the matter to labour court for review. Date not yet determined.		
46 Endumeni vs. CJ Carelse		
Mr CJ Carelse (Snr) employment contract was terminated as it was deemed to have been entered into illegally by the suspended municipal manager. Bargaining council gave a ruling against the municipality. The ruling was taken to labour court for review by the municipality on grounds of contract that was entered into illegally. The matter has now been finalised in favour of the municipality.		
46 Endumeni vs. BA Mbatha	100 000	
Ms Mbatha was dismissed for misconduct after disciplinary hearing. Ms Mbatha lodged a procedural dispute at the bargaining council. Matter has been finalised in favour of the municipality		
46 Endumeni/EJ Mbeje	80 000	
The appointment of Mr Mbeje was at the time that the suspended Municipal Manager had returned to office. In accordance with a Council resolution that was taken ultra vires, the appointments have been declared as illegal by the council, and the employees' services had been terminated. The matter is in labour court and is set down for the 25th August 2016.		
46 Endumeni/SP Madlala		
Mr Madlala was unprocedurally promoted and given a salary increase during the period of instability at the municipality. The decision to do so was never approved by council, and the salary increase was reversed. Mr Madlala lodged unfair labour practice dispute at bargaining council. Arbitrator ruled in favour of the municipality. Ruling has been taken on review by SAMWU. Council awaits the labour court date for hearing.		
46 DISMISSED FORMER EMPLOYEES		
A number of employees had been appointed into positions during the time that the suspended Municipal Manager had returned to office in accordance with a Council resolution that was taken ultra vires. These appointments had been declared as illegal by the Council, and the employees' services had been terminated. They have all decided to go to the Bargaining Council to declare disputes about the termination of their services. The case involving 4 former employees are still pending at the bargaining council where an unfair dismissal dispute has been declared. the matter was finalised through settlement and the 4 employees were re employed.		
46 TP BIYELA APPEAL	90 000	
The matter was an appeal by Mr Biyela for an interdict in high court emanating from the internal disciplinary, where he was attempting stop the internal disciplinary proceedings. The appeals were finalised in favour of the municipality and Mr Biyela ordered to pay cost.		
46 PG MABILISA	80 000	
The matter was about an unfair dismissal of Mr. PG Mabilisa, the disciplinary hearing took place and the matter was concluded in favour of the municipality. The decision was appealed and taken to CCMA. This matter is an arbitration matter and was set down for 8/8/16 but was postponed to the 10/10/2016 as certain documents were not filed		
46 JEEBODH'S	60 000	
The matter is about the illegal construction of a building, an interdict was applied for by the municipality to demolish the building. This matter was set down for the 14 June 2016 and was postponed pending an agreement between the parties.		
47 RELATED PARTIES		
Related party transactions: Councillor E Adam		

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	2016	2015
	R	R
<u>Expenditure:</u>		
General expenses for the year	60 643	50 494

Nature of transaction: Councillor E Adam's spouse is the owner of a business that sells computer validated pre-paid tokens for the supply of electricity. A commission of 3.5% is paid monthly for providing this service. The commission payable at year end amounted to R 4 154.54.

48 EVENTS AFTER THE REPORTING DATE

No events after the reporting date noted for disclosure.

49 RISK MANAGEMENT

49 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.
Financial assets exposed to credit risk at year end were as follows:

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

Cash and Cash Equivalents	68 344 812	57 902 590
Financial guarantees	159 310	159 310
Trade and other receivables	18 164 687	18 445 471

Maximum Credit Exposure

138 792 693	63 663 096
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These balances represent the maximum exposure to credit risk.

49 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

49 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

50 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)

53. COMPARISON TO BUDGET ANNEXURE E (1)

53.1 ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

	Actual 2016 R	Budget 2016 R	Variance 2016 R	Variance 2016 %	Explanation of significant Variance greater than 15% versus Budget
REVENUE					
Revenue from exchange transactions	135 440 216	143 232 572	(8 245 329)	-6%	
Service charges	120 530 864	131 138 429	(10 607 565)	-8%	
Rental of facilities and equipment	1 578 749	1 157 332	421 417	36%	Rentals of commonages contributed to this variance
Interest earned- external investments	3 984 499	3 050 000	934 499	31%	The improved cash flow position and grant underspending resulted in more interest income than budgeted for.
Interest earned- outstanding receivables	2 505	2 900	(395)	-14%	
Licences and permits	4 284 502	4 780 750	(496 248)	-10%	
Other income from exchange transactions	1 592 158	3 088 161	(1 496 003)	-48%	Various revenue items were lower than budgeted, parking meter revenue, entrance fees, burial and sundry revenue contributed to this variance.
Gain on disposal of asset	452 973	-			Auction of assets, proceeds not budgeted for
Gain on fair value of asset	3 013 966	15 000	2 998 966	19993%	Fair value adjustments on investment property was not catered for in budget.
Revenue from non-exchange transactions	150 198 447	155 889 188	(5 690 741)	-4%	
Property rates	57 681 385	62 356 254	(4 674 869)	-7%	
Property rates- penalties imposed and collection charges	6 418 838	5 923 200	495 638	8%	
Fines	2 753 701	1 364 735	1 388 966	102%	Fines accrual more than budget estimates
Government grants and subsidies	83 344 522	86 244 999	(2 900 477)	-3%	
Total Revenue	285 638 662	299 121 760	(13 936 070)		
EXPENDITURE					
Employee related cost	79 692 570	87 837 038	(8 144 467)	-9%	
Remuneration of councillors	3 559 888	3 594 885	(34 997)	-1%	
Adjustment to bad debt debts provision	9 521 015	7 207 026	2 313 989	32%	Bad debt provision higher than budgeted. It was anticipated that debt relief initiatives and cleansing of debtors would reduce the debtors book.
Adjustment to landfill site provision	1 972 671	692 289	1 280 382	185%	As per the professional engineers report, fluctuates based on prime rate.
Collection costs	3 834 245	3 732 733	101 512	3%	
Depreciation	8 222 020	9 089 931	(867 911)	-10%	
Amortisation	11 525	58 000	(46 475)	-80%	Immaterial in amount
Repairs and maintenance	9 161 898	7 864 264	1 297 634	17%	
Finance cost	790 392	790 394	(2)	0%	
Bulk purchases	75 592 334	85 246 668	(9 654 334)	-11%	
Contracted services	4 899 285	1 568 040	3 331 245	212%	The action taken on tamp meters resulted in more purchases of prepaid electricity from the vendors and resultant increase in commission paid or payable to vendors.
General expenses	47 368 287	45 387 905	1 980 382	4%	
(Impairment loss) / Reversal of impairment loss	120 473	625 000	(504 527)	-81%	Conditional assessments of assets are done yearly and assets have been impaired in the prior years. Consequently the impairment adjustment for the current year is less than anticipated.
(Impairment loss) / Reversal of impairment loss inventory	78 218	127 890	(49 672)	-39%	Less stock shortages due to better stock control than has been anticipated during budget preparation.
Retirement and long services benefits	9 387 495	5 721 000	3 666 495	64%	As per actuarial valuation report
Total Expenditure	254 212 317	259 543 063	(5 330 745)		
NET (DEFICIT) / SURPLUS FOR THE YEAR	31 426 345	39 578 697	(8 605 325)		

ENDUMENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

53. COMPARISON TO BUDGET (Continued) ANNEXURE E (2)

53.2 ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)

	2016 Actual	2016 Contribution	2016 Total Additions	2016 Budget	2016 Variance	2016 Variance	Explanation of Significant Variances Greater than 5% versus Budget
	R	R	R	R	R	%	
Corporate Services	720255.33	-	720 255	16 502 088	(15 781 832)	-96%	
Financial Services	27792469.84	-	27 792 470	304 912	27 487 558	9015%	
Municipal Manager	396462.39	-	396 462	662 000	(265 538)	-40%	
Technical Services	7825261.2	-	7 825 261	28 300 940	(20 475 679)	-72%	
Planning and Development			-	3 000 000	(3 000 000)	-100%	
	36 734 449	-	36 734 449	48 769 940	(9 035 491)	-19%	Underspending is due to delays in grant spending for the Electrification projects and MIG project. Grant money received for the rural horse riding projects were also not fully spent.

The appendix includes additions figures for Property, Plant and Equipment (note 9) and Intangible Assets (note 10) only.

Endumeni Municipality
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2016

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2015	Received during the period	Accrued Interest	Redeemed / written off during the period	Balance at 30 June 2016
ANNUITY LOAN							
DBSA @ 17%	13268/102	31/03/2018	3 724 686	-	108 971	1 153 622	2 680 035
DBSA @ 17%	13268/202	31/03/2018	1 917 523	-	56 100	593 902	1 379 721
DBSA @ 17%	13268/302	31/03/2018	1 751 427	-	51 240	542 458	1 260 210
			7 393 636	-	216 311	2 289 981	5 319 966
Total Annuity Loans							
TOTAL EXTERNAL LOANS			7 393 636	-	216 311	2 289 981	5 319 966

Endumeni Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2016

	Cost						Accumulated Depreciation				Accumulated Impairment				Carrying Value
	Opening Balance	Additions	Fair Valued	Assets under construction	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	Opening Balance	Impairment adjustment	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land	61 044 317					61 044 317	0			0				0	61 044 317
Buildings	28 164 942	80 217				28 245 158	(13 678 758)	(834 891)		(14 513 649)	(990 205)	(5 603)		(995 808)	12 735 702
Infrastructure - Electricity	36 656 687	256 770		1 180 713	(64 032)	38 030 138	(16 367 913)	(928 515)	17 053	(17 279 375)	(175 239)	(23 163)		(198 402)	20 552 361
Infrastructure - Roads	126 951 346			18 620 775	(422 265)	145 149 856	(36 976 637)	(4 466 504)	231 433	(41 211 708)	(3 300 586)	(45 497)	28 338	(3 317 745)	100 620 404
Assets under construction	46 699 731	31 804 528		(19 801 487)		58 702 772				0				0	58 702 772
Infrastructure - Other	7 373 790	8 900			(11 014)	7 371 676	(3 008 009)	(457 121)	5 207	(3 459 922)	(151 528)	(14 478)	5 398	(160 608)	3 751 146
Machinery & Equipment	9 919 153	2 189 886			(1 796 927)	10 312 112	(6 219 124)	(539 084)	1 389 516	(5 368 692)	(475 375)	(1 799)	313 306	(163 867)	4 779 553
Furniture & Fittings	3 190 870	347 733			(559 251)	2 979 352	(2 552 961)	(142 077)	491 037	(2 204 002)	(32 016)	(3 537)	26 232	(9 321)	766 030
Computer Equipment	4 734 657	718 094			(621 248)	4 831 503	(3 775 397)	(304 510)	612 497	(3 467 410)	(30 343)	(1 253)		(31 596)	1 332 497
Motor Vehicles	9 645 451	1 317 401			(1 000 390)	9 962 461	(5 599 359)	(548 770)	753 779	(5 394 350)	(178 332)	(13 999)	163 268	(29 063)	4 539 049
Leased assets	10 488				-509	9 978	(8 257)	(548)	509	(8 296)				0	1 682
Housing	1 247 482					1 247 482				0	(225 799)	(11 146)		(236 945)	1 010 538
Total Property, Plant and Equipment	335 638 914	36 723 528	-	-	(4 475 637)	367 886 805	(88 186 415)	(8 222 020)	3 501 032	(92 907 403)	(5 559 423)	(120 473)	536 542	(5 143 354)	269 836 048
Intangible assets	915 876	10 921				926 797	(883 795)	(11 525)		(895 320)					31 477
Investment Properties	21 064 034		3 013 966			24 078 000				0					24 078 000
Total Assets	357 618 824	36 734 449	3 013 966	-	(4 475 637)	392 891 602	(89 070 210)	(8 233 545)	3 501 032	(93 802 723)	(5 559 423)	(120 473)	536 542	(5 143 354)	293 945 525

Endumeni Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2015

	Cost						Accumulated Depreciation					Accumulated Impairment				Carrying Value
	Opening Balance	Additions	Properties identified from valuation roll@ cost	Assets under construction Released	Disposals	Closing Balance	Opening Balance	Properties identified from valuation roll@ cost	Depreciation	Disposals	Closing Balance	Opening Balance	Impairment adjustment	Disposals	Closing Balance	
	R	R	R	R	R	R	R		R	R	R	R	R	R	R	
Land	61 044 317					61 044 317	-		-		-				0	61 044 317
Buildings	28 102 846	10 097		52 000		28 164 943	(12 811 200)		(867 559)		(13 678 759)	(893 193)	(97 012)		(990 205)	13 495 979
Infrastructure - Electricity	36 670 183			137 106	-150 603	36 656 686	(15 430 812)		(980 190)	43 088	(16 367 914)	(72 235)	(103 004)		(175 239)	20 113 533
Infrastructure - Roads	111 399 379			17 356 004	-1 804 038	126 951 346	(33 368 333)		(4 270 951)	662 648	(36 976 637)	(2 803 574)	(512 856)	15 843	(3 300 586)	86 674 123
Assets under construction	39 085 117			26 382 415		46 699 731					0				0	46 699 731
Assets under construction				-18 767 801							0					-
Infrastructure - Other	6 151 099			1 222 692		7 373 790	(2 596 226)		(411 782)		(3 008 008)	(151 529)			(151 529)	4 214 253
Machinery & Equipment	9 319 522	561 469	38 161			9 919 152	(5 717 736)		(501 387)		(6 219 124)	(475 374)			(475 374)	3 224 654
Furniture & Fittings	3 016 207	160 192	14 471			3 190 870	(2 411 920)		(141 041)		(2 552 961)	(26 772)	(5 244)		(32 016)	605 892
Computer Equipment	4 318 310	356 286	60 062			4 734 657	(3 576 573)		(198 824)		(3 775 397)	(30 176)	(167)		(30 343)	928 917
Motor Vehicles	8 245 414	1 400 037				9 645 451	(5 280 210)		(319 148)		(5 599 358)	(163 333)	(14 999)		(178 332)	3 867 761
Leased assets	10 488					10 488	(7 493)		(764)		(8 257)				0	2 231
Housing	1 247 483					1 247 483					-		(225 799)		(225 799)	1 021 684
Total Property, Plant and Equipment	308 610 364	2 488 081	112 694	26 382 415	-1 954 640	335 638 914	-81 200 504	-	(7 691 647)	705 736	(88 186 416)	(4 616 185)	(959 081)	15 843	(5 559 423)	241 893 075
Intangible assets	915 876					915 876	(869 592)		(14 202)		(883 794)					32 082
investment Properties	21 064 034					21 064 034					-					21 064 034
Total Assets	330 590 274	2 488 081	112 694	26 382 415	-1 954 640	357 618 823	(82 070 096)	0	(7 705 850)	0	(89 070 210)	(4 616 185)	(959 081)	15 843	(5 559 423)	262 989 190

Endumeni Municipality
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2016

	Cost / Revaluation							Accumulated Depreciation				Accumulated Impairment				Carrying value
	Opening Balance	Additions	Fair Valued/ Revalued	Additions Infra	AUC Released	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	Opening Balance	Impairment adjustment	Disposals	Closing Balance	
	R	R			R	R	R	R	R	R	R					R
Corporate Services	43 194 815	720 255				608 955	43 306 115	15 319 719	902 773	547 726	15 674 766	437 285	25 043	16 091	446 238	27 185 112
Financial Services	16 565 596	382 351		27 410 118	(6 231 128)	86 406	38 040 532	3 806 730	435 521	83 822	4 158 429	837 921	1 391	104	839 209	33 042 894
Municipal Manager	23 767 079	396 462	3 013 966			48 798	27 128 710	954 793	234 786	42 313	1 147 266	17 074	35	5 424	11 685	25 969 760
Technical Services	274 091 334	3 053 021		4 772 240	6 231 128	3 731 479	284 416 245	68 988 968	6 660 466	2 827 171	72 822 262	4 267 143	94 003	514 923	3 846 223	207 747 760
Total	357 618 824	4 552 091	3 013 966	32 182 358	0	4 475 637	392 891 602	89 070 210	8 233 545	3 501 032	93 802 723	5 559 423	120 473	536 542	5 143 354	293 945 525

The appendix includes figures for Property, Plant and Equipment (note 9), Intangible Assets (note 10) and Investment Properties (note 11).

Endumeni Municipality
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
as at 30 June 2016

2 015			2 016		
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R	R	R	R
9 461 719	31 351 748	(21 890 028)	15 568 074	44 949 338	(29 381 264)
67 282 983	32 811 903	34 471 080	73 068 224	50 449 326	22 618 898
34 683 703	16 784 771	17 898 932	42 750 744	15 996 315	26 754 429
136 007 961	123 704 199	12 303 762	148 837 480	142 116 195	6 721 285
			5 414 140	701 143	4 712 997
247 436 367	204 652 621	42 783 746	285 638 662	254 212 317	31 426 345
Total					

The inter-departmental charges have been allocated per segment for the current and prior years.